

MONTANA LEGISLATIVE HISTORY

Chapter 45 19 85

Bill H _____ S 407 Original bill & history ☒ C

H. Committee on Business & Labor

Hearing Date(s) Feb 26 ☒ C

_____ ☐ C

_____ ☐ C

_____ ☐ C

Date Out Feb 26 ☒ C

S. Committee on Agriculture

Hearing Date(s) Feb 18 ☒ C

_____ ☐ C

_____ ☐ C

_____ ☐ C

Feb 18 ☒ C

Did this bill originate in an interim committee? ☐ Yes ☐ No

Committee _____

Report _____

SENATE FINAL STATUS

2/27	REFERRED TO BUSINESS & LABOR		
3/18	HEARING		
3/18	COMMITTEE REPORT-BILL CONCURRED		
3/20	2ND READING CONCURRED	69	7
3/22	3RD READING CONCURRED	89	9

	RETURNED TO SENATE		
3/27	SIGNED BY PRESIDENT		
3/28	SIGNED BY SPEAKER		
3/28	TRANSMITTED TO GOVERNOR		
4/01	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 275	EFFECTIVE DATE:	10/01/85

405 INTRODUCED BY STIMATZ
STATEWIDE PROPERTY TAX LEVY OF 1 MILL FOR PUBLIC
AIRPORTS

2/13	INTRODUCED		
2/13	REFERRED TO TAXATION		
2/13	FISCAL NOTE REQUESTED		
2/19	FISCAL NOTE RECEIVED		
3/12	HEARING		
3/12	ADVERSE COMMITTEE REPORT	42	7
3/12	BILL KILLED		

406 INTRODUCED BY LYNCH, C. SMITH
REVISING LAWS RELATING TO INTERNAL ORGANIZATION OF
JUSTICE DEPARTMENT
BY REQUEST OF DEPARTMENT OF JUSTICE

2/13	INTRODUCED		
2/13	REFERRED TO JUDICIARY		
2/19	HEARING		
2/20	COMMITTEE REPORT-BILL PASS AS AMENDED		
2/23	2ND READING PASS	49	0
2/25	3RD READING PASS	48	0

	TRANSMITTED TO HOUSE		
2/27	REFERRED TO JUDICIARY		
3/22	HEARING		
3/23	COMM REPORT-BILL CONCURRED AS AMENDED		
3/26	2ND READING CONCURRED	94	0
3/28	3RD READING CONCURRED	98	0

	RETURNED TO SENATE WITH AMENDMENTS		
4/02	2ND READING AMENDMENTS CONCURRED	50	0
4/04	3RD READING AMENDMENTS CONCURRED	50	0
4/11	SIGNED BY PRESIDENT		
4/11	SIGNED BY SPEAKER		

4/12	TRANSMITTED TO GOVERNOR		
4/16	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 503	EFFECTIVE DATE:	10/01/85

407 INTRODUCED BY B. WILLIAMS, KOLSTAD, ET AL.
CANCELLATION, TERMINATION FARM IMPLEMENT DEALERSHIP
ONLY FOR GOOD CAUSE
BY REQUEST OF SENATE BUSINESS & INDUSTRY

SENATE FINAL STATUS

2/13 INTRODUCED
 2/13 REFERRED TO AGRICULTURE, LIVESTOCK & IRRIG
 2/18 HEARING
 2/19 COMMITTEE REPORT-BILL DO PASS
 2/20 2ND READING PASS
 2/22 3RD READING PASS

49
 48

TRANSMITTED TO HOUSE
 2/25 REFERRED TO BUSINESS & LABOR
 2/26 HEARING
 2/26 COMMITTEE REPORT-BILL CONCURRED
 2/27 2ND READING CONCURRED
 2/27 ON MOTION RULES SUSPENDED
 PLACED ON 3RD READING THIS DAY
 2/27 3RD READING CONCURRED

76 2
 78 2

RETURNED TO SENATE
 2/27 SIGNED BY PRESIDENT
 2/27 SIGNED BY SPEAKER

2/27 TRANSMITTED TO GOVERNOR
 2/28 SIGNED BY GOVERNOR

CHAPTER NUMBER 45 EFFECTIVE DATE: 2/28/85

SB 408 INTRODUCED BY THAYER, HALLIGAN, ET AL.
 EXEMPT CAPITAL COMP. FROM DUTY TO REGISTER AS
 SECURITIES SALESMAN, ISSUER
 BY REQUEST OF SENATE BUSINESS & INDUSTRY

2/13 INTRODUCED
 2/13 REFERRED TO BUSINESS & INDUSTRY
 2/19 HEARING
 2/19 COMMITTEE REPORT-BILL DO PASS
 2/21 2ND READING PASS
 2/23 3RD READING PASS

49
 48

TRANSMITTED TO HOUSE
 2/27 REFERRED TO BUSINESS & LABOR
 3/25 HEARING
 3/25 COMMITTEE REPORT-BILL CONCURRED
 3/30 2ND READING CONCURRED
 4/01 3RD READING CONCURRED

91
 98

RETURNED TO SENATE
 4/08 SIGNED BY PRESIDENT
 4/09 SIGNED BY SPEAKER

4/10 TRANSMITTED TO GOVERNOR
 4/15 SIGNED BY GOVERNOR

CHAPTER NUMBER 479 EFFECTIVE DATE: 4/15/85

SB 409 INTRODUCED BY FARRELL
 WORKERS' COMPENSATION MEDICAL EXAMS AND EXPENSES

2/13 INTRODUCED
 2/14 REFERRED TO LABOR & EMPLOYMENT RELATIONS
 2/21 HEARING
 2/23 COMMITTEE REPORT-BILL PASS AS AMENDED
 2/23 STATEMENT OF INTENT ATTACHED
 2/26 2ND READING PASS

48

SENATE BILL NO. 407
INTRODUCED BY B. H. Kistner
Christian BY REQUEST OF THE SENATE COMMITTEE ON BUSINESS
Newman AND INDUSTRY W. T. Sullivan
Welding

6 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING THAT
7 TERMINATION, CANCELLATION, NONRENEWAL, OR SUBSTANTIAL
8 ALTERATION OF A FARM IMPLEMENTS DEALERSHIP AGREEMENT BY THE
9 GRANTOR MUST BE FOR GOOD CAUSE AND UPON ADEQUATE NOTICE;
10 DEFINING "GOOD CAUSE"; AND PROVIDING AN IMMEDIATE EFFECTIVE
11 DATE."

13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14 Section 1. Definitions. As used in [this act], the
15 following definitions apply:

16 (1) "Community of interest" means a continuing
17 financial interest that the grantor and grantee have in
18 common.

19 (2) "Dealer" means a person who is a grantee of a farm
20 implements dealership situated in this state.

21 (3) "Dealership" means a contract or agreement,
22 expressed or implied, whether oral or written, including a
23 franchise as defined in 61-4-201, by which a person is
24 granted the right to sell or distribute farm implements, in
25 which there is a community of interest in the business of

1 offering, selling, or distributing farm implements.

2 (4) "Farm implement" means any vehicle, machine, or
3 attachment designed or adapted and used exclusively for
4 agricultural operations and only incidentally operated or
5 used on the highways.

6 (5) "Good cause" means:

7 (a) failure by a dealer to comply substantially with
8 essential and reasonable requirements imposed upon him by
9 the grantor or sought to be imposed by the grantor, which
10 requirements are not discriminatory as compared with
11 requirements imposed on other similarly situated dealers
12 either by the terms of the requirements or in the manner of
13 their enforcement; or

14 (b) bad faith by the dealer in carrying out the terms
15 of the dealership.

16 (6) "Grantor" means a person who grants a dealership.

17 (7) "Person" means any individual, partnership,
18 association, corporation, or other entity.

19 Section 2. Cancellation and alteration of dealerships.
20 No grantor may, directly or indirectly, terminate, cancel,
21 fail to renew, or substantially change the competitive
22 circumstances of a dealership agreement without good cause.
23 The burden of proving good cause is on the grantor.

24 Section 3. Notice of termination or change in
25 dealership. (1) Except as provided in subsections (2) and

1 (3), a grantor shall provide a dealer at least 90 days'
 2 prior written notice by certified mail of termination,
 3 cancellation, nonrenewal, or substantial change in
 4 competitive circumstances. The notice must state all the
 5 reasons for termination, cancellation, nonrenewal, or
 6 substantial change in competitive circumstances and must
 7 provide that the dealer has 60 days from receipt of the
 8 notice in which to rectify any claimed deficiency. If the
 9 deficiency is rectified within 60 days, the notice is void.

10 (2) If the reason for termination, cancellation,
 11 nonrenewal, or substantial change in competitive
 12 circumstances is nonpayment of sums due under the
 13 dealership, the dealer is entitled to 10 days' prior written
 14 notice by certified mail. If the dealer does not remedy such
 15 default within 10 days after receipt of the notice, the
 16 notice is effective according to its terms.

17 (3) The notice provisions of this section do not apply
 18 if the reason for termination, cancellation, or nonrenewal
 19 is insolvency, the occurrence of an assignment for the
 20 benefit of creditors, or bankruptcy.

21 Section 4. Action for damages and injunctive relief.
 22 If any grantor violates [this act], a dealer may bring an
 23 action against such grantor in any court of competent
 24 jurisdiction for damages sustained as a consequence of the
 25 grantor's violation, together with the actual costs of the

1 action, including reasonable attorney fees, and the dealer
 2 also may be granted injunctive relief against unlawful
 3 termination, cancellation, nonrenewal, or substantial change
 4 of competitive circumstances.

5 Section 5. Effective date. This act is effective on
 6 passage and approval.

-End-

MINUTES OF THE MEETING
AGRICULTURE, LIVESTOCK AND IRRIGATION
STATE CAPITOL BUILDING

February 18, 1985

The Agriculture, Livestock and Irrigation Committee meeting was called to order on the above date in Room 415 of the State Capitol Building at 1:00 p.m.

ROLL CALL: All members present.

SENATE BILL 407: Senator Bob Williams, SD 15, told the committee SB 407 was at the request of the Business and Industry Committee and signed by all eleven members. After discussing the content of the bill, they were unanimous in submitting it. The effective date, Section 5, page 4, is important. This is an act providing that termination, cancellation, nonrenewal or substantial alteration of a farm implements dealership agreement by the grantor must be for a good cause and upon adequate notice; defining "good cause"; and providing an immediate effective date. Senator Williams said what the bill is really about is good cause and bad faith. What prompted his interest in the bill was the recent merger, or take over, of the International Harvester Farm Equipment Division by Tenneco, a large conglomerate with headquarters in Texas. Tenneco already owns JI Case and have some big plans for the two companies. He referred to it as the Tenneco Waltz, because Tenneco does all the leading and some of the partners are tired of having their feet stepped on. Tenneco comes in and cancels a dealer out completely no matter how long he has been in business. Senator Williams then read part of a letter dated January 16, from National Farm and Power Equipment Dealers Association, out of St. Louis. Exhibit #1, sections marked, and an article he had read in the Wall Street Journal in regard to the Tenneco takeover. Exhibit #1A, section marked. He said it is a dirty shame Montana has to pay for profitable, taxpaying, job producing, community serving, businesses at the whim of a three person crew that comes around and, in 15 minutes, says, "that's it."

PROPONENTS: Blake Wordell, Montana Hardware and Implement Association in Montana and Northern Wyoming, strongly supported SB 407. Complete testimony attached as Exhibit #2.

Senator Allen Kolstad, SD 7, Chester and Liberty Counties, said his family has been in the farming business for around 35 years in the State of Montana. He felt some legislation was definitely necessary in this area and SB 407 addresses this need very well. There are instances in his area where these people come in and jerk the franchises in about 10 minutes. People in northern Montana, after these businesses are closed, have to drive hundreds of miles one way to get a certain part for an implement. This causes long delays and is expensive. The time is now to act on SB 407, get it out of committee and onto the floor as soon as possible, he said.

OPPONENTS: None

Committee questions: Senator Aklestad, referring to page 2, lines 18 through 22, "good cause", asked if Tenneco, in the case of International, was able to show good cause? Senator Williams said you would figure someone who had been in business for 40 years and had been doing real good promoting the company and building the business within the community for all those years goes to work one day with the understanding the merger is in the making and there is a crew there of three people, for less than 15 minutes, and they were going to pull your distributorship away from you and buy your current parts back at cost and obsolete parts that are maybe 2 or 5 years old, at 50% your cost and give you \$10,000 for your business, and that's it, here's the papers, sign it - in his book that is not good cause. They should have the 90 day period to do a little bit of negotiation.

Senator Aklestad- Does the dealer have a contract with the local outfit? Mr. Wordell - In most cases there is a written contract. They found that in other states they had this type of legislation with the dealers, to buy the dealers out of their dealership.

Senator Aklestad - Would this law over ride a written contract if they had a written contract? Mary McCue, Legislative Council for Business and Industry Committee - The way it is written, yes. The language in the statute is not withstanding.

Senator Severson to Blake Wordell - How widespread is this? Wordell - Right now the immediate attention has been brought by the Case/Harvester merger. Nationwide the consolidations and mergers that will take place within the next couple years will affect people in Montana as well. Deer just closed 30 dealerships. Severson - How many times did this happen? Wordell - six. Five to International Harvester and 1 to Case.

Senator Hammond - This is really the protection of property rights. These people had a property right, but now it looks like someone has gained the power to take away their dealership. This right should be protected.

Senator Williams - In 1977 the dealers were covered with the auto dealers then the implement dealers were separated out. Mary McCue - The Automobile Dealers Act never covered this type of machinery. They used to include farm machinery. In 1979 it was changed to vehicles that travel highways.

DISPOSITION OF SB 407: Senator Kolstad moved SB 407 DO PASS. Motion carried unanimously.

SENATE BILL 360: Senator Larry Tveit, SD 11, told the committee the bill requires an official protein test of grain delivered to a warehouse. He said there were some amendments amending the title and subsection 2. Amendments, Exhibit #3.

AGRICULTURE, LIVESTOCK & IRRIGATION COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 2/18/85SENATE
SEAT
#

	NAME	PRESENT	ABSENT	EXCUSED
1	SENATOR GARY AKLESTAD	✓		
27	SENATOR ESTHER BENGSTON	✓		
35	SENATOR JACK GALT	✓		
34	SENATOR H. W. (SWEDE) HAMMOND	✓		
10	SENATOR ALLEN KOLSTAD	✓		
38	SENATOR LEO LANE	✓		
8	SENATOR RAY LYBECK	✓		
31	SENATOR ELMER SEVERSON	✓		
39	SENATOR BOB WILLIAMS	✓		
29	SENATOR MAX CONOVER, V. CHMN.	✓		
50	SENATOR PAUL BOYLAN, CHAIRMAN	✓		

Each day attach to minutes.

DATE

COMMITTEE ON AGRICULTURE

july 18, 1985

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
NORM JOHNSON	HARVEST STATES COOP.	360		X
Jim McLern	CARGILL	360		X
James Muller	Great Falls Grain Term	360		X
Dan Andrews	Power		X	
Jo Brunner	1496 Kodak Rd	360	X	
Jo Brunner	Power	360	X	
MIKE ORGAS	General Mills Inc	360		X
DAN TREINER	PEABODY	360		X
Mark Rasmussen	Mont. Grain Growers Assn.	360	X	
Bob Stephens	Int. Grain Growers Assn.	360	X	
Kerry Schuch	Montana Grain Elev. Assoc	360		X
ELROY LEATHER	MT CO-OP FUEL CO-OPS	360		X
Dan Place	Montana Grain Elev. Assn.	360		X
Ray Barnson	Mont. Bd. of Ag.	360	-	
Thoe Wozynka	" " " "	360		
Blake Wordal	MHIA	407	✓	
Bill Ashton	APA BORGHMAN		—	—
Joe Ray	Bd. GRAIN		✓	
Steve Carter	Harvest States Coop	360		✓
Leann Brandel	MT Grain Elevators Assn	360		✓
Monte Quinn	MT Agri Business Assn	360		✓
Dr. David G. Byr	MT I	360		✓
KEITH KELLY	MT DEPT OF AGRICULTURE	360	—	—
John Williams	observer			
Carol Opatowski	ENT. INF. CENTER	3		

(Please leave prepared statement with Secretary)



National Farm & Power Equipment Dealers Association

10877 Watson Road • P.O. Box 8517 • St. Louis, MO 63126-0517
Telephone: 314/821-7220

Exhibit #1
GENERAL LETTER

SB407 2/18/85
Number S-2508

Date January 16, 1985

Subject TENNECO WALTZ

CONFIDENTIAL - NOT FOR PUBLICATION FOR YOUR INFORMATION

To the Association Managers and Members of the Board of Directors:

During the past year we have heard and read rumors pertaining to company mergers, buy-outs and closings. We can look forward to 1985 as being a year of accelerating activity in the continued efforts in this regard. The forcing issue is the fact that we have too many goods chasing too few dollars in the marketplace. Any prospect for a brighter short-term future is dim in light of the inventories on dealers' lots and the manufacturers' pipeline.

On Thanksgiving Day, November 22, I was flying to Toronto to meet with the Canadian farm equipment manufacturers. I happened to read the New York Times newspaper and read the first, of a series to follow, of the purchase of International Harvester agricultural division by Tenneco. Although many of us were expecting something like this to happen, it was never-the-less a surprise to read what was to happen.

Less than one week later on November 27, Harvester announced the sale of their farm equipment unit to Tenneco for 430 million dollars, which was aimed at salvaging a company tattered by labor troubles, the recession and debts in the billions of dollars.

The following day at a news conference, Mr. James L. Ketelsen, Tenneco's chairman, discussed many of the effects brought about by this merger of the farm implement divisions of two companies, J I Case, already owned by Tenneco, and International Harvester Company. One of the results of the merger will be an approximate 15 percent cut of the 2,600 dealers in North America. These dealers are mostly in the same town or the same marketing area.

The following statements are directly quoted from Mr. Ketelsen on November 28, 1984, by the Associated Press.

"We're going to strongly encourage dealers to merge where we have two good dealers in a community," he said. "It makes good sense for us to merge and reduce excess capacity and it makes a hell of a lot of sense for them to look at a combination to save both of their customer bases, their whole parts operation and combine some of their overhead to be more efficient in a larger marketplace."

He said that Tenneco could offer additional undeveloped sites to encourage mergers where the dealers want multiple locations.

"In some cases, we will encourage a strong IH or Case dealer to buy out a weaker competitor," he said.

Harvester has about 1,700 dealers in North America and Case has 930, with about 160 of the Case outlets owned by the company. Ketelsen said Case-owned dealerships could be easily closed to turn over the business to "strong" International Harvester dealers in the same market.

A major task force composed of Case, IH and Tenneco personnel was assembled to analyze the dealers and their locations throughout North America. From their evaluation, it was stated that there would be 400 locations having a conflict and corrective measures would be taken in order to combine Case and IH dealerships in the same sales locality.

Letters were sent during the last two weeks of December informing IH and Case dealers: (1) Welcome aboard as you will be asked to become a Case-International dealer, and (2) You are in an area of conflict and in the next few weeks will be visited by a team to determine the future of the dealership.

Several contingency groups made up of IH, Case and a Tenneco spokesman were trained on how to approach the dealers during their visitations concerning dealership plans. They were schooled as to what to say, how to relate to the dealer, to answer no questions, and to inform the dealer that the determination was final and that there would not be any appeal.

Dealers have been reporting that the meeting is similar to a wake. The task force chairman opens the attache case and reads from the script. Following the reading, the dealer is informed that the decision is final and there is no appeal. The task force chairman has been likened to a "Digger O'Dell".

the whole process takes less than 15 min to wrap up - like a business
In all fairness to the committees, we must recognize that they are just following orders. They are also under the same strain as others in the industry, as they have not been told, as of this writing, who will have a job with the new company. Information tells us that the IH personnel will be informed this week and the Case personnel the following week.

The most reported calls of foul have come from dealers that were dropped in favor of the company store. In many instances, the company store was not adequate to assume the new responsibilities. It has been in some instances that a task force will set another date with the canceled dealer for the purpose of initiating a proposal to buy the dealer's facilities. However, this is an exception in most instances.

We have information that out of the 175 ag company stores, approximately 100 will remain. I think we should here recall that Mr. Ketelsen is the father of the company store. He was a strong advocate when he was with J I Case in the 60's.

Most dealers that are small volume dealers are strongly considering accepting the cancellation proposal and the bonuses that are included. Several dealers are looking toward this new company and the automatic cancellation of their contracts, as a way to get out of business.

The larger dealers are annoyed that the bonus is peanuts in regard to what they are losing from their contracts. One dealer told me that the \$35,000 bonus was just eight hours overhead at his establishment. It was his feeling that

surely the business he enjoyed and was giving up had more value than that. These dealers are contacting their attorneys for counsel and direction.

We have heard from a few dealers asking what the local and national associations were doing in respect to the damage being done to dealers. Our answer has been that we are receiving information and are concerned with the fairness that is being tendered to all dealers affected. If we find a pattern that is unjust, and receive a recommendation from a group of dealers through their local association, it will be addressed by the Industry Relations Committee of the National Association.

We are in constant conversation with the leaders of Case, IH and the general counsel for Tenneco. We are using this opportunity to discuss the frustration that is emanating from the concerned dealers.

We urge each of you to continue to gather information of the happenings in your association. Unfortunately this buy-out by Tenneco is good in some ways but most distasteful to many of the dealers involved. They need our support and the knowledge that we are ever mindful of their concerns and want to be of assistance.

Sincerely,



William E. Galbraith
Executive Vice President

WEG/jr

cc: Advisory Board

Tenneco Division's Dealers Say Purchase Of Harvester Farm-Gear Unit Is Imminent

By JERRY JOHNSON, News Roundup

Dealers for Tenneco Inc.'s heavy-equipment division said they expect the company to announce the acquisition of International Harvester Co.'s agricultural equipment division as early as today.

But there were indications yesterday that meetings between officials of Tenneco and Harvester were continuing. And Tenneco executives who aren't involved in the matter said their company has been rife with speculation about a variety of possible combinations involving the companies, including a joint venture.

Some dealers for Tenneco's J1 Case unit, which makes construction equipment as well as farm tractors, said they understood that they have led to an agreement for the outright purchase of the Harvester business.

people making machines (before the recession), and there now are about 60,000."

By contrast, orders for all types of non-ferrous capital goods have fallen 14% since June. They declined during June, July and August, rebounded in September and then slipped 11% in October.

Because the machine-tool industry lagged behind the rest of the economy since the recovery began two years ago, some machine-tool industry officials are disappointed the leveling-off in orders. "We're not seeing any slowdown in orders, but we're not experiencing the upturn that we expected about this time," says Robert J. Siewert, vice president and general manager of Giddings & Lewis Inc.'s machine-tool group at Janesville, Wis. Giddings & Lewis is a unit of AMCA International Corp.

Pricing Called 'Cutthroat'

Because the industry continues to operate far below capacity, and imports are pouring in at low prices, Mr. Siewert says pricing many machines is "cutthroat." He says the group "hasn't taken an order at list price" for many months.

Shipments of machine tools in October totaled \$207.7 million, the association said, up 13% from \$184.4 million a year earlier. The October total was down 1.4% from September's \$210.6 million, but there ordinarily is a 10% drop in the first month of a quarter because producers try to finish and ship machines in the last month of each quarter to make that quarter's results look better.

Other than such monthly fluctuations, machine-tool shipments have been rising since the 1983 third quarter, which was the start of the current business cycle. Shipment rates have about doubled over the past 15 months.

The industry's order backlog at Oct. 31 was \$1.69 billion, the association said, up 17% from \$1.42 billion a year earlier.

"We hear that the deal is all set and will be announced tomorrow," Adrian Sommer, who operates four Case dealerships in Case's home state of Wisconsin, said yesterday.

His son, James, who heads a trade group of Case dealers, said he had been told unofficially by Case officials that Tenneco would pay more than \$400 million for Harvester's farm gear business. The cost would depend on how Tenneco and Harvester agreed to divide the cost of plant closings that likely would be associated with the transaction, as well as who would take responsibility for the burden of Harvester's heavy unfunded pension liabilities. Another factor would include the extent that Tenneco could assume Harvester's enormous tax-loss carry forward to shelter earnings from Tenneco's other businesses—in oil, insurance and manufacturing—which are profitable.

Speculation has centered on an acquisition of Harvester's money-losing farm-equipment division, or of the entire company, which is a major manufacturer of heavy-duty trucks. That speculation intensified last week when Tenneco filed a shelf registration to offer as much as \$300 million of debt securities. Tenneco insiders who aren't directly involved in the Harvester matter theorize that any cash paid to acquire the Harvester farm-gear operations would be for "good will," since this Harvester business has little if any asset value.

If the transaction involves the farm-equipment operations alone, "it's a question of how much we're willing to pay for the Harvester name," a Tenneco executive said. He confirmed that Tenneco studied the purchase of the Harvester unit about a year ago, but that Tenneco balked at assuming Harvester's heavy unfunded pension liabilities. Mr. Sommer, the Case dealers' representative, said he understood that Tenneco last year envisioned not paying any cash for the Harvester business if it had to assume those pension liabilities.

An acquisition involving Harvester's farm-equipment business would help resolve a dilemma confounding Tenneco for well over a year: How to rescue its own heavy-equipment business, J1 Case, from continuing deficits, which totaled \$68 million in 1983. Tenneco, a conglomerate with interests from oil to insurance, has established that without gaining a significant increase in market share, the Case unit would have to be divested with a huge write-off against earnings, industry sources say.

Neither Tenneco nor Harvester has said

what the current talks entail, or even that talks are under way.

Yesterday, however, some officials of Tenneco and its Racine, Wis.-based Case unit traveled to a hotel in Chicago, where a convention of the Farm Equipment Manufacturers' Association was being held.

A Tenneco public affairs official was present at a meeting room rented to Harvester, but he declined to explain his presence there.

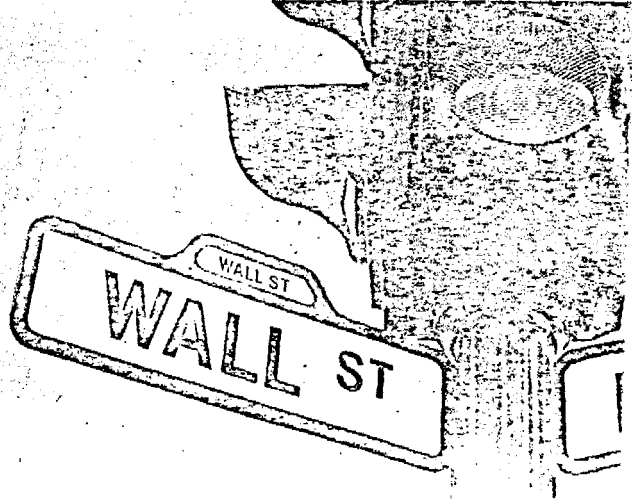
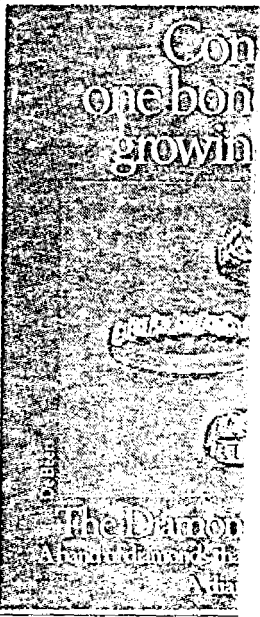
Schick Unit Files With SEC To Offer \$45 Million in Units

GRAND PRAIRIE, Texas—A.R.A. Manufacturing Co., a unit of Schick Inc., said it filed with the Securities and Exchange Commission to offer \$45 million of units.

Each unit will consist of a \$1,000 face amount of sinking fund debentures due Dec. 15, 1996, and 10 common stock warrants.

The automotive accessories company said the interest payments on the debentures will be guaranteed by Schick.

Because A.R.A.'s stock currently isn't publicly traded, the warrants can be redeemed only if the company elects to register the common stock or if it offers to buy back the warrants.



Manufacturing machine orders			
	Oct 1984	Sept 1984	Oct 1983
Domestic	\$176,400,000	\$174,850,000	\$181,400,000
Foreign	11,650,000	27,200,000	13,450,000
Total	\$188,050,000	\$202,050,000	\$194,850,000
Month total for 1984	\$1,594,400,000	for '83	\$1,543,000,000
Net finished machine orders			
Domestic	\$111,550,000	\$46,250,000	\$49,950,000
Foreign	20,330,000	3,850,000	2,150,000
Total	\$131,880,000	\$50,100,000	\$52,100,000
Month total for 1984	\$1,134,550,000	for 1983	\$479,400,000
Net shipping machine shipments			
Domestic	\$129,450,000	\$128,700,000	\$103,150,000
Foreign	11,650,000	2,650,000	8,900,000
Total	\$141,100,000	\$131,350,000	\$112,050,000
Month total for 1984	\$1,246,250,000	for '83	\$1,082,500,000
Net shipping machine shipments			
Domestic	\$129,450,000	\$128,700,000	\$103,150,000
Foreign	11,650,000	2,650,000	8,900,000
Total	\$141,100,000	\$131,350,000	\$112,050,000
Month total for 1984	\$1,246,250,000	for 1983	\$1,082,500,000

AT THE
NESE

Exhibit #2
3087 N. Montana Avenue
P.O. Box 4459
Telephone 406/442-1590
Helena, Montana 59604
Feb. 18, 1985
SB 407

MONTANA
HARDWARE &
IMPLEMENT
ASSOCIATION

e advocate for Montana and Northern Wyoming retail hardware and farm implement dealers

Testimony on Senate Bill 407

Chairman Boylan and members of the Senate Agriculture Committee:

I am Blake Wordal, representing the Montana Hardware and Implement Association. Our Association represents retail hardware and farm equipment dealers throughout Montana and northern Wyoming. We strongly support Senate Bill 407 and encourage your positive consideration of this legislation.

As many of you know, the farm equipment industry is in a state of turmoil. The agricultural economy has had a direct, severe effect on the economic health of farm equipment dealers, manufacturers, distributors and wholesalers nationwide. We are witnessing a great upheaval in the traditional operations of all involved. The recent J.I. Case/International Harvester merger is an appropriate illustration of the changes we are experiencing. The result of that merger for dealers in Montana carrying those lines of equipment has been the cancellation of dealership franchises in six Montana communities. In almost every instance, the dealer who lost their franchise had been an integral part of the local economy. In most cases, these businessmen had been operating for over 25 years, and in Belgrade the dealer who was cancelled had been in business for over three generations.

This merger, as difficult as it has been, is only one indication of the future. One major manufacturer recently cancelled over 30 dealerships in the state of Iowa. Industry newsletters and publications indicate that several other mergers and consolidations are under consideration and a recent study by the National Farm and Power Equipment Dealers Association predicted a loss of over 500 retail farm equipment dealers nationwide in the next few years. In Montana, 8% of our dealers ceased operations last year, and we are looking to losing 12 to 20% more this year.

I'd like to give the committee a short profile of the Montana farm equipment dealer from a recent survey which the Montana Hardware and Implement Association sponsored. In Montana 79% of the dealerships are family held. 81% of our dealers have never switched their major tractor line. 55% of the dealers are operating second or third generation dealerships. 61% of our dealers are 45 years of age or under. These men and women are active in their communities and play an important role in the promotion of our state's number one industry.

We all know that businesses fail for a wide variety of reasons. The past four years have been particularly depressed for farm equipment sales. Attached to my testimony is a chart prepared by the Farm and Industrial Equipment Institute which shows the decline in farm equipment sales. We have lost a number of retailers over the past four years, and those that have survived have had to adapt their operations to economic realities. I am certain that several more dealers will go out of business unless the agricultural economy rebounds soon.

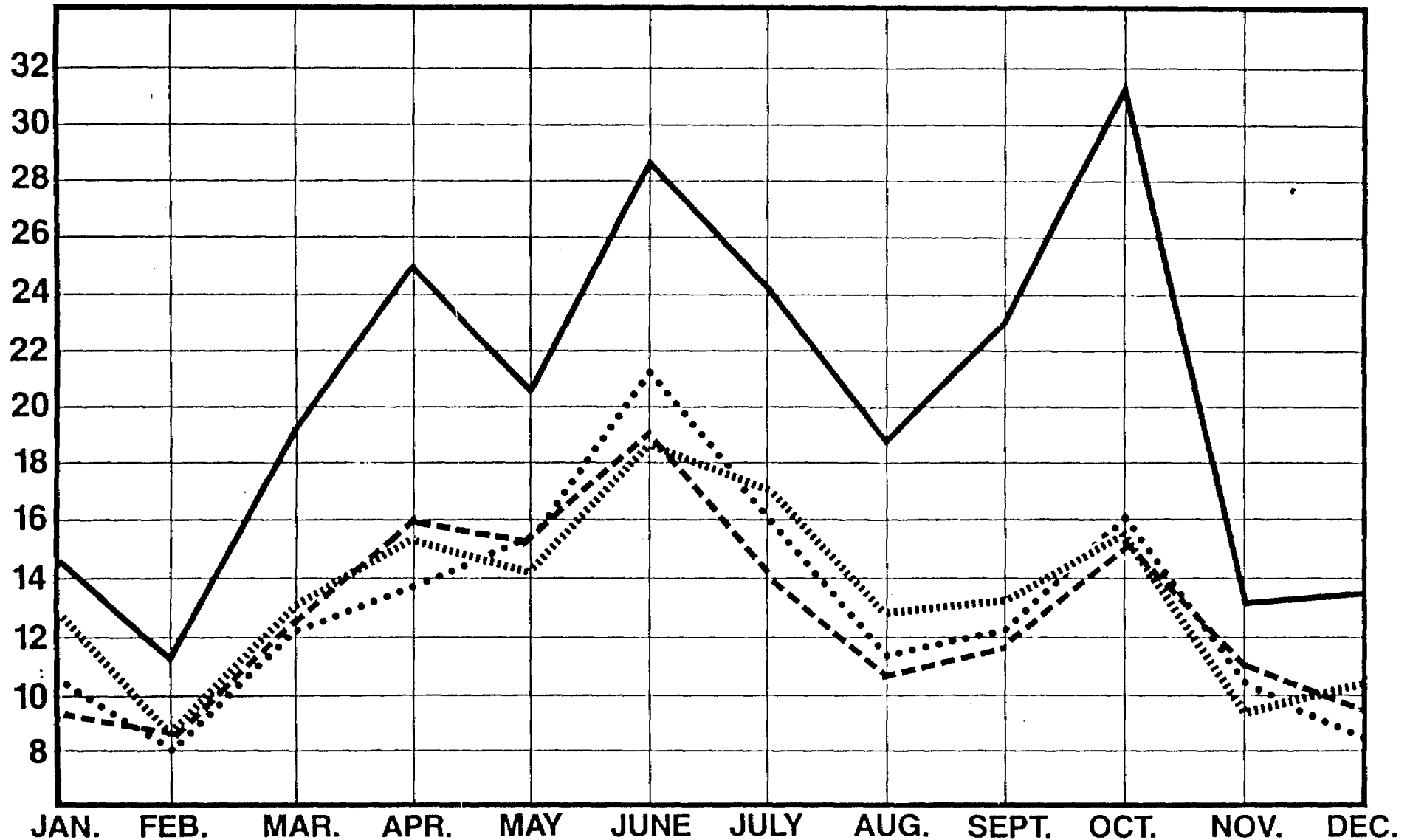
We understand that there is little that state government can or should do to alter these difficult circumstances. However, faced with such uncertainties, the Montana Hardware and Implement Association believes that Senate Bill 407 will be beneficial to our industry. The good faith clause will reassure our dealers--(and more importantly, their lending institutions) that their franchises will not be summarily cancelled. Several other states have adopted this type of legislation, and auto dealers have had such protection in Montana for some time. I will be happy to respond to any questions by the committee.

Thank you.

U.S. RETAIL SALES

Tractors (all horsepower), Combines, Balers,
Forage Harvesters and Mower Conditioners

UNITS IN
THOUSANDS



— 5 YEAR AVERAGE (77-81)
..... 1982 1983 --- 1984



FARM & INDUSTRIAL EQUIPMENT INSTITUTE
410 North Michigan Ave. Chicago, IL 60611 312/321-1470

STANDING COMMITTEE REPORT

February 13 19 35

MR. PRESIDENT

We, your committee on **AGRICULTURE, LIVESTOCK AND IRRIGATION**

having had under consideration **SENATE BILL** No. **407**

first reading copy (white)
color

CANCELLATION, TERMINATION FARM IMPLEMENT DEALERSHIP ONLY FOR GOOD CAUSE

Respectfully report as follows: That **SENATE BILL** No. **407**

DO PASS

~~XXXXXXXXXX~~

Senator Paul F. Boylan, Chairman.

MINUTES OF THE MEETING
BUSINESS AND LABOR COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

February 26, 1985

The meeting of the Business and Labor Committee was called to order by Chairman Bob Pavlovich, on February 26, 1985 at 12:45 p.m. in Room 312-2 of the State Capitol.

ROLL CALL: All members were present with the exception of Representative Schultz, who was excused by the chairman.

SENATE BILL 407: Hearing commenced on Senate Bill 407. Senator Bob Williams, District #15, sponsor of the bill, explained this bill was requested by the Senate Business and Industry Committee due to a recent takeover by Tenneco. Tenneco has been cutting off local dealers in order to eliminate intra-company competition. These dealers are approached, the transaction is made is less than 15 minutes and there are no appeal rights. Senate Bill 407 provides that termination, cancellation, nonrenewal or substantial alteration of a farm implements dealership agreement by the grantor must be for good cause and upon adequate notice. This bill is effective on passage and approval, added Senator Williams.

Proponent Blake Wordal, representing the Montana Hardware and Implement Association, stated dealers are an integral part of our community. The J. I. Case merger is an example of what is happening in this business. Recently, a Belgrade business that has operated for 3 generation was cancelled. A recent study showed that in the next few years a 42% increase or 3,800 dealers will be lost. Senate Bill 407 places the burden of providing good cause on the grantor. This bill is modeled after the Wisconsin "good faith" law. Six dealers will be cancelled on March 1, 1985 if this legislation is not passed. Mr. Wordal distributed to committee members Exhibit 1 which is attached hereto.

Representative Gene Ernst, District #29 offered his support of the bill.

Representative Ellerd asked Blake Wordal what Senate Bill 407 will stop Tenneco from doing if passed. Mr. Wordal explained that it will not stop them from anything, but will allow dealers to come to better terms in a buyout and give them more negotiating power.

Representative Simon asked Blake Wordal what the terms of the current franchise agreements are. Mr. Wordal stated

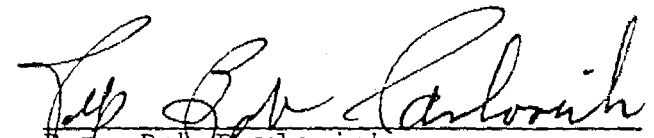
Business and Labor Committee
February 26, 1985
Page 2

that the terms vary from state to state, but currently provide that the contract may be cancelled at any time.

There being no further discussion by proponents and no opponents to the bill, all were excused by the chairman and the hearing on Senate Bill 407 was closed.

ACTION ON SENATE BILL 407: Representative Wallin moved DO PASS on Senate Bill 407. Second was received and a unanimous vote resulted. Senate Bill 407 DO PASS.

ADJOURN: There being no further business before the committee, the meeting was adjourned at 1:05 p.m.


Rep. Bob Pavlovich
Chairman

DAILY ROLL CALL
BUSINESS AND LABOR COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date February 26, 1985

NAME	PRESENT	ABSENT	EXCUSED
Bob Pavlovich	✓		
Les Kitselman	✓		
Bob Bachini	✓		
Ray Brandewie	✓		
Jan Brown	✓		
Jerry Driscoll	✓		
Robert Ellerd	✓		
William Glaser	✓		
Stella Jean Hansen	✓		
Marjorie Hart	✓		
Ramona Howe	✓		
Tom Jones	✓		
Mike Kadas	✓		
Vernon Keller	✓		
Lloyd McCormich	✓		
Jerry Nisbet	✓		
James Schultz			✓
Bruce Simon	✓		
Fred Thomas	✓		
Norm Wallin	✓		

STANDING COMMITTEE REPORT

February 26

19 85

SPEAKER

MR.

BUSINESS AND LABOR

We, your committee on

SENATE

having had under consideration Bill No. 407

third

blue

reading copy (.....)
color

CANCELLATION, TERMINATION FARM IMPLEMENT DEALERSHIP ONLY
FOR GOOD CAUSE

SENATE

Respectfully report as follows: That Bill No. 407

DO PASS

Rep. Robert J. Pavlovich Chairman.

12 Great Falls Tribune Sunday, February 24, 1985

Implement dealers told 'bloodletting' overdue

By PATRICK DAWSON
Tribune Correspondent

BILLINGS — Tenneco's takeover of International Harvester's farm equipment division has some dealers waiting for the ax to fall, but it only reflects the larger, dismal picture of American agriculture, according to a Tenneco spokesman.

Tenneco, which also owns J.I. Case farm equipment, has been cutting off local dealers in order to eliminate intra-company competition in regional trade shows.

"The bloodletting that we've seen is long overdue," said Jim Stevens of J.I. Case. "There were too many high expectations. We can't expect a full house dealt with every hand."

Stevens is Twin Cities group manager for Case, which, along with IH has 470 dealers in the Midwest and Northern Plains farm country.

He told the Montana Hardware and Implement Dealers Association meeting here Thursday that tractor sales in Montana have "dropped 25 percent a year for the last three years."

Case, he said, has identified "about eight or so conflict areas in Montana" — localities that stand to lose a company dealership. Tenneco, he said, can't afford to keep existing IH and Case dealers competing where sales volumes are low.

"The rug is going to be pulled because of lack of sales," Stevens said. "Some other areas not now served need representation. We don't want to decimate the dealers in Montana, but any manufacturer is only as good as the dealer."

The domestic farm equipment business has been in a steady decline since its banner year of 1979, when 32,250 combines were sold, compared to 12,750 in 1983.

Farm equipment revenues dropped from \$13 billion in 1979 to \$8 billion in 1983. Joint losses of \$275 mil-

lion forced the IH takeover by Tenneco, Stevens said. The only bright spot in IH itself, before its farm division divestiture, was the truck division, which made money. Construction machinery was the money-maker for Case.

Tenneco, which acquired IH last fall, will reduce its dealerships by 50 percent by the end of 1985 from 1979 levels, Stevens said.

"If you have any doubts about whether you should be in this business, get out now," Stevens warned the dealers.

The machinery men also were shown the results of a nationwide agricultural dealership survey taken last July which reported the industry at its lowest level in 50 years.

There are 300,000 U.S. farms with "purchasing power," according to the report. There are 8,800 farm equipment dealers, an excess capacity of 3,800 dealers, based on an ideal ratio of 60 farms per-dealer.

Of the dealers responding to the survey, 43 percent said they were losing money. Ninety-two percent said farmers in the coming years will buy only to replace machinery and will not upgrade or add to their fleets.

The main reasons for the slump in business, said those surveyed, is "fewer farmers" and too many dealers in their area.

Sales of parts brought the most profit to dealers in the survey, while service shops were least profitable.

Since the bottom dropped out of the grain trade, costly new equipment inventories piled up, forcing dealers to take losses for discounting, and premium used equipment flooded the market at bargain prices.

National dealer organization leaders pointed to low farm commodity prices and high interest rates as the main reasons for low sales of new and bigger machines to farmers.

VISITOR'S REGISTER

HOUSE

Business + Labor

COMMITTEE

BILL Senate Bill 407

DATE 2-26-85

SPONSOR Senator Williams

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.